

We will be giving some macro economic market updates on a weekly basis. No equity recommendations will be given in this commentary, and we encourage you to contact us if you have questions regarding any observations.



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BEACONS OF THE WEEK

The two main purposes of a Lighthouse are to serve as a navigational aid and to warn ships (Investors) of dangerous areas. It is like a traffic sign on the sea.



Portland Head Light

Cape Elizabeth, Maine

This lighthouse sits on a head of land at the entrance of the primary shipping channel into Portland Harbour. The lighthouse was completed in 1791 and is the oldest lighthouse in Maine. The lighthouse sits at 24 meters tall and took 4 years to build.



St. Augustine Light Station, *St. Augustine, FL*

The St Augustine Light is a privately maintained lighthouse in Florida. The lighthouse was built in 1874 and stands at 50 meters tall. The lighthouse stands at the north end of Anastasia Island.

Feel free to send us your photos of Lighthouses to be featured in our weekly market observations.

Argentina

Argentina held an election last week and the country turned away from socialism and moved toward a libertarian capitalist.

Argentina presidential election: far-right libertarian Javier Milei wins after rival concedes

This election result is a major change for Argentina and Latin America as a whole. Argentina elected an outsider often compared to Donald Trump for his brashness and non-political correctness. President Milei won 55.7% of the votes versus the incumbent party who won 44% who ran Argentina's current finance minister.



Among the people to congratulate Milei on his victory were President Donald Trump and Elon Musk.

Over the last 20-25 years Latin American countries have almost unanimously turned to left-leaning self-proclaimed socialists to run their governments. These governments promised citizens better health care, education, infrastructure and economies. These governments took over private businesses, printed money to fuel their agendas and created welfare states. Unfortunately, for the most part, these policies have failed and done more harm than good.

The rise of socialism in Latin America over the last 2 decades has been called “the pink tide”. The pink tide ruled Argentina, Brazil, Bolivia, Chile, Nicaragua, Uruguay, Mexico, Venezuela and other smaller countries in Latin America for most of or entirely the last 20-25 years.

We will not jump into each instance and why certain policies have failed each country. We will simply look at Argentina and what has happened over the last 20-25 years and what we see happening moving forward.

Before we jump into Argentina, here are inflation rates for the largest economies in the world - notice anything?

Global Central Bank Policy Rates						
Country	Rate	Central Bank Rate (Today)	CPI YoY	Real Central Bank Rate	Last Move	Last Move Date
Argentina	Benchmark Rate	38.00%	51.4%	-13.4%	Hike	Nov-20
Poland	Repo Rate	0.50%	5.8%	-5.3%	Hike	Oct-21
US	Fed Funds	0.13%	5.4%	-5.3%	Cut	Mar-20
Brazil	Target Rate	6.25%	10.3%	-4.0%	Hike	Sep-21
Eurozone	Deposit Rate	-0.50%	3.4%	-3.9%	Cut	Sep-19
Canada	Overnight	0.25%	4.1%	-3.9%	Cut	Mar-20
Norway	Deposit Rate	0.25%	4.1%	-3.9%	Hike	Sep-21
Chile	Base Rate	1.50%	5.3%	-3.8%	Hike	Aug-21
Peru	Policy Rate	1.50%	5.2%	-3.7%	Hike	Oct-21
Australia	Cash Rate	0.10%	3.8%	-3.7%	Cut	Nov-20
Czech Republic	Repo Rate	1.50%	4.9%	-3.4%	Hike	Sep-21
UK	Bank Rate	0.10%	3.2%	-3.1%	Cut	Mar-20
New Zealand	Cash Rate	0.50%	3.3%	-2.8%	Hike	Oct-21
Philippines	Key Policy Rate	2.00%	4.8%	-2.8%	Cut	Nov-20
Denmark	Deposit Rate	-0.60%	2.2%	-2.8%	Cut	Sep-21
Colombia	Repo Rate	2.00%	4.5%	-2.5%	Hike	Sep-21
Sweden	Repo Rate	0.00%	2.1%	-2.1%	Hike	Dec-19
South Korea	Repo Rate	0.75%	2.5%	-1.8%	Hike	Aug-21
Switzerland	Target Rate	-0.75%	0.9%	-1.7%	Cut	Jan-15
Turkey	Repo Rate	18.00%	19.6%	-1.6%	Cut	Sep-21
Taiwan	Discount Rate	1.13%	2.6%	-1.5%	Cut	Mar-20
South Africa	Repo Rate	3.50%	4.9%	-1.4%	Cut	Jul-20
Mexico	Overnight Rate	4.75%	6.0%	-1.3%	Hike	Sep-21
Thailand	Policy Rate	0.50%	1.7%	-1.2%	Cut	May-20
Hong Kong	Base Rate	0.86%	1.6%	-0.7%	Cut	Mar-20
Russia	Key Policy Rate	6.75%	7.4%	-0.6%	Hike	Sep-21
India	Repo Rate	4.00%	4.4%	-0.4%	Cut	May-20
Malaysia	Policy Rate	1.75%	2.0%	-0.3%	Cut	Jul-20
Japan	Policy Rate Bal	-0.10%	-0.4%	0.3%	Cut	Jan-16
Saudi Arabia	Reverse Repo	1.00%	0.3%	0.7%	Cut	Mar-20
Indonesia	Repo Rate	3.50%	1.6%	1.9%	Cut	Feb-21
China	Loan Prime Rate	3.85%	0.8%	3.1%	Cut	Apr-20

Global Central Bank Policy Rates						
Country	Rate	Central Bank Rate (Today)	CPI YoY	Real Central Bank Rate	Last Move	Last Move Month
Turkey	Repo Rate	35.00%	61.4%	-26.4%	Hike	Oct-23
Argentina	Benchmark Rate	133.00%	138.3%	-5.3%	Hike	Oct-23
Japan	Policy Rate Bal	-0.10%	3.0%	-3.1%	Cut	Jan-16
Sweden	Repo Rate	4.00%	6.5%	-2.5%	Hike	Sep-23
UK	Bank Rate	5.25%	6.7%	-1.5%	Hike	Aug-23
Taiwan	Discount Rate	1.88%	3.1%	-1.2%	Hike	Mar-23
Australia	Cash Rate	4.35%	5.4%	-1.1%	Hike	Nov-23
Poland	Repo Rate	5.75%	6.5%	-0.8%	Cut	Oct-23
South Korea	Repo Rate	3.50%	3.8%	-0.3%	Hike	Jan-23
New Zealand	Cash Rate	5.50%	5.6%	-0.1%	Hike	May-23
Switzerland	Target Rate	1.75%	1.7%	0.1%	Hike	Jun-23
Czech Republic	Repo Rate	7.00%	6.9%	0.1%	Hike	Jun-22
Norway	Deposit Rate	4.25%	3.3%	1.0%	Hike	Sep-23
Malaysia	Policy Rate	3.00%	1.9%	1.1%	Hike	May-23
Eurozone	Deposit Rate	4.00%	2.9%	1.1%	Hike	Sep-23
Canada	Overnight	5.00%	3.8%	1.2%	Hike	Jul-23
Philippines	Key Policy Rate	6.25%	4.9%	1.4%	Hike	Mar-23
India	Repo Rate	6.50%	5.0%	1.5%	Hike	Feb-23
US	Fed Funds	5.38%	3.7%	1.7%	Hike	Jul-23
Colombia	Repo Rate	13.25%	11.0%	2.3%	Hike	Apr-23
Denmark	Deposit Rate	3.60%	0.9%	2.7%	Hike	Sep-23
Thailand	Policy Rate	2.50%	-0.3%	2.8%	Hike	Sep-23
South Africa	Repo Rate	8.25%	5.4%	2.9%	Hike	May-23
Peru	Policy Rate	7.25%	4.3%	2.9%	Cut	Oct-23
Indonesia	Repo Rate	6.00%	2.6%	3.4%	Hike	Oct-23
China	Loan Prime Rate	3.45%	0.0%	3.5%	Cut	Aug-23
Hong Kong	Base Rate	5.75%	2.0%	3.8%	Hike	Jul-23
Chile	Base Rate	9.00%	5.1%	3.9%	Cut	Oct-23
Saudi Arabia	Repo Rate	6.00%	1.7%	4.3%	Hike	Jul-23
Mexico	Overnight Rate	11.25%	4.5%	6.8%	Hike	Mar-23
Brazil	Target Rate	12.25%	5.2%	7.1%	Cut	Sep-23
Russia	Key Policy Rate	15.00%	6.0%	9.0%	Hike	Oct-23

Argentina's inflation rate recently rang in at 138%, this is a result of decades of government spending to fuel left-leaning policies. Although inflation rates in other Latin American countries have decreased recently, many countries within this area of the world have faced similar issues over the last 25 years. (Ironic that the incumbent party in Argentina ran their finance minister for President this year despite inflation running at 138%; socialist leaders continue to fail to comprehend basic economic principles). On top of the 140% inflation rate, 40% of Argentinians live below the country's poverty line and the country is extremely in debt. (While we complain about 8-10% annual inflation rates, Argentina has seen those monthly for a few years now).

Inflation has plagued this area of the world as governments have failed to address price stability for quite some time. Venezuela is the poster child of this issue with inflation rates of 360% currently and over one million percent in 2018. The country, which once flourished economically is run by a socialist dictator who has turned the economy into rubbish by printing money and overtaking private businesses. He and his government have done this so they can control the country's resources and means of production.

Back to Argentina. Argentina has undergone currency crisis after currency crisis for decades now. They have also had repetitive recessions, defaults on their debt and multiple sovereign debt crises over the last 25 years. Many believe these issues have all been fueled by the Central Bank and the Argentine Peso.

Before we dive deeper, here is an overview of the Argentina economy. Argentina is South America's second-largest economy, Latin America's third-largest economy and is the world's 33rd most populous country. The country has a strong and educated workforce and has tremendous growth room. Argentina is extremely resource-rich in agricultural goods and natural gas. The country has an abundance of lithium, copper, gold, and silver.

Despite all the upside, the country has faced triple-digit inflation rates, a looming recession and rising poverty numbers. It's no surprise the country turned to an outsider after decades of failed policy. In 1950, Argentina had the world's 12th largest economy, fast forward 70 years and they sit in the mid-20s globally. Their economic growth rate has tremendously lagged other countries in Latin America over the last few decades.

All these issues led to the election of President Milei; people wanted change.

President Milei has stated that he will decrease government spending, corruption, remove protectionist economic policies, move away from China and Brazil (not joining BRICS) and dollarize the Argentinian economy. Dollarization means the country would give up the Argentine Peso and use the U.S. dollar as its currency.

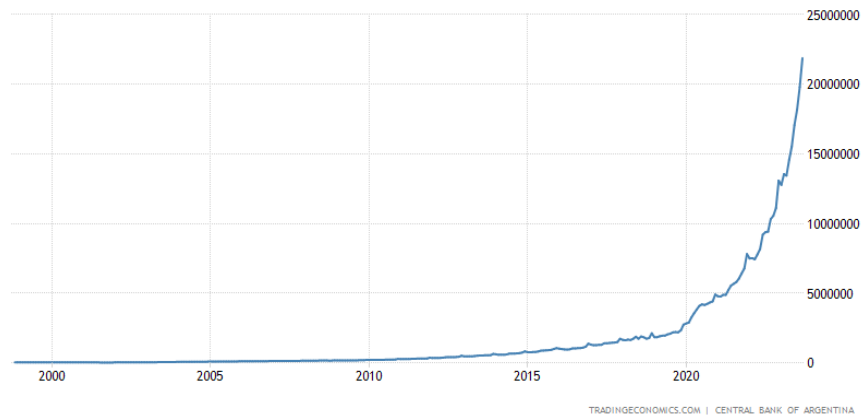
Over the last 20 years, the Argentine Peso has collapsed 99% in value relative to the U.S. Dollar.

Argentine Peso to United States Dollar



No country of Argentina's size has ever dollarized, but Milei believes it's the only solution to install economic stability and low inflation. Milei has stated that the U.S. Dollar cannot be printed at will like the Argentine Peso has been. Ecuador and Panama are the two most notable examples of countries that dollarized.

Milei might be on to something with his thoughts. Here is the M2 money supply for Argentina over the last 25 years - talk about turning the printers on.



However, if he were able to dollarize Argentina, it would be an uphill battle. Milei already faces high poverty, possible default worries, surging inflation and slow economic growth. Some analysts believe Argentina does not have the currency base to dollarize currently and believe the only way to dollarize immediately would be to issue external debt.

Dollarizing would end the boom-and-bust cycle that Argentina has undergone for the last few decades. It would bring the country stability and slow inflation. However, a major con of this move would be less sovereignty and more reliance on the U.S. The country would also not be able to drive its interest rate policy.

Despite all this uncertainty, the people of Argentina seem optimistic about what could come. Investors in Argentina took this change quite well as Milei's free market system will encourage investment, profitability, and economic stability. Those who held Argentinian equities woke up on Monday quite pleased.



ADRs listed on the NYSE and Nasdaq for Argentina bounced quite significantly this week. Everything from energy producers to agricultural producers, to banks, to industrial conglomerates bounced

significantly. Argentina equities are extremely undervalued and are mostly priced for bankruptcy due to overall economic worries in the country, nothing to do with specific companies.

Many of these companies trade at huge discounts and are well off their all-time and multi-year highs. If you do not believe us, look at some of these charts of Argentinian ADRs.

Market Summary > Cresud S.A.C.I.F. y A.

9.14 USD

-6.01 (-39.67%) ↓ all time

Nov 21, 4:00 p.m. EST • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Market Summary > YPF SA

14.83 USD

-6.30 (-29.82%) ↓ all time

Nov 21, 4:00 p.m. EST • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Market Summary > Loma Negra Compania Intl Argntna SA-ADR

6.57 USD

-14.93 (-69.44%) ↓ all time

Closed: Nov 21, 4:00 p.m. EST • Disclaimer

After hours 6.57 0.00 (0.00%)

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Market Summary > Banco Macro SA ADR Class B

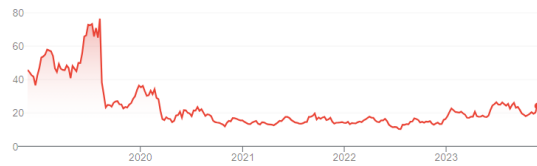
24.35 USD

-21.44 (-46.82%) ↓ past 5 years

Closed: Nov 21, 4:00 p.m. EST • Disclaimer

After hours 24.35 0.00 (0.00%)

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Talk about being beaten down and priced for the economic crisis. These companies are cash-producing and are undervalued tremendously. Perhaps Milei's election will be the lift these companies and this economy have needed and the Argentinian population will turn a new page to prosperity and stability.

This will be a fascinating story to follow and we will be keeping our eyes on certain Argentinian ADRs moving forward.

Breakout time for gold, 4th time the charm?

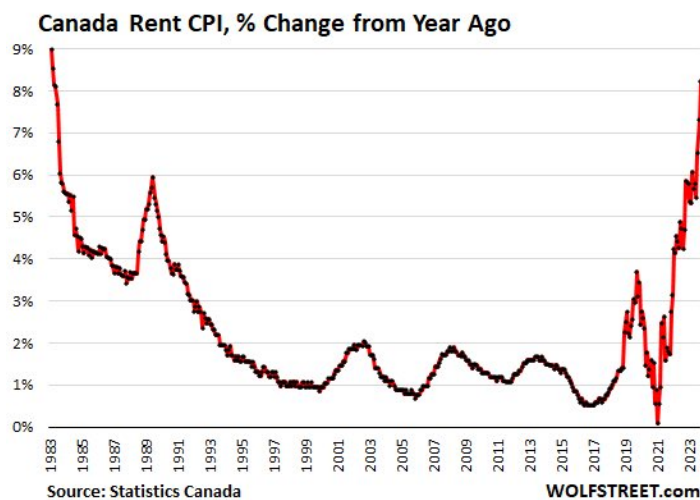
Gold has undergone some consolidation in recent months but has emerged above \$2,000 once again. This has only happened 3 times before, once in 2020, once in 2022 and once earlier this year. Prices retreated each time this happened. However, we think this 4th time could be the charm and could accelerate a bullish cycle for the metal.



The overlooked asset class has continued to chug along in recent years as Central Banks have destroyed the value of fiat currency. We think the gold sector and the overlooked mining industry could be on the precipice of a huge run. Even better news for mining investors, these stocks trade at a fraction of their historical valuations and are extremely inexpensive by mainstream multiples as well as the multiples that we use internally. We know this sector will never get the volume that Tesla or the technology sector receives, but we do think volume and investor interest will increase moving forward and believe there will be a flight to this sector for several reasons (safety, inflation hedge, low valuations, economic uncertainty, etc.) moving forward.

Inflation in Canada

As headline inflation in Canada slows down, one component continues to move higher. No, we are not talking about financing rates for homeowners or even gas prices, we are talking about rental prices.



Canadian rent is up 8.2% over the last year as of October, a large jump from September's number which rang in at 7.3%. October's reading is the highest number in 40 years.

Rental prices are reflecting the real issue in the Canadian housing market, a major shortage. Rent is not a discretionary item that people can forego if it gets too expensive. This spike in rental prices has not been matched by wage prices or anything else and is a worsening problem for many Canadians.

Many young Canadians see themselves as being priced out of the housing market, seeing all options as unaffordable moving forward. As affordability continues to be an issue, young Canadians need to plan for home buying. Canadians can utilize the recently launched First Home Savings Account which has major benefits for first-time home buyers. The deadline for contributions is December 31st, 2023, and contributions are tax-deductible like RRSP contributions. Canadians can contribute a maximum of \$8,000 per year for up to 5 years. MacNicol & Associates Asset Management can open the FHSA account as soon as possible for you, your children, and your grandchildren. Email us at info@macnicolasset.com to open a FHSA today.

More crypto fraud

FTX and Sam Bankman Fried will forever be synonymous with fraud. The large crypto exchange was a complete Ponzi scheme. Just over a year ago, the exchange went under, and the founder was arrested. Two weeks ago, SBF was convicted of fraud and conspiracy. The well-connected founder fooled everyone and lost everything for investors and users when his hedge fund started posting massive losses. Everything for FTX and SBF worked in the bull market but that came to a halt when market conditions took a turn in late 2021.

This week FTX's rival Binance was in the news for all the wrong reasons. Binance's CEO stepped down and pleaded guilty to financial charges. Binance is accused of failing to implement an effective anti-money laundering program, violating U.S. economic sanctions. Treasury Secretary Janet Yellen said in a release Tuesday that the exchange allowed illicit actors to make more than 100,000 transactions that supported activities such as terrorism and illegal narcotics and that it allowed more than 1.5 million virtual currency trades that violated U.S. sanctions. Binance's CEO "CZ" claimed on X (Twitter) that he made mistakes and must take responsibility for his actions. CZ will reportedly pay a fine of \$50 million personally and Binance was fined \$4.3 billion. CZ has a net worth of approximately \$10 billion, so \$50 million is a drop in the bucket.

Binance's CEO CZ allegedly initiated the investigation into FTX over a year ago and got caught in a crime a year later.

The U.S. Department of Justice reported that Binance allowed transactions with Isis, Al-Qaeda, Hamas, and Iran. They also claimed that Binance had not once flagged these transactions.

We understand that little oversight is a benefit of cryptocurrencies but that is also a major risk of the asset class and investing in an exchange like Binance. The lack of regulation in this space will have to change if it wants to regain the trust of investors. There is a lot operating in the grey area in crypto where there are no defined rules and laws.

We are not huge crypto investors but continue to watch the space even with all the criminal activity and fraud running rampant across the industry.

What the AI?

OpenAI had a week.

Chaos occurred in the world of AI this week as Sam Altman the CEO of OpenAI was fired by OpenAI and rehired within a week. Here is the chaotic timeline:

Last Friday Sam Altman was ousted at OpenAI. The decision was unexpected and extremely surprising. The nonprofit board announced it no longer had confidence in his ability to lead.

After his firing, OpenAI employees quit including his cofounder, Greg Brockman. When Altman was fired by the board, the board also removed Brockman from sitting on it. At least three other OpenAI researchers joined Brockman in quitting.

OpenAI investors including Microsoft were reportedly up in arms on this decision. Microsoft CEO Satya Nadella and other investors began to push the board to rehire Altman as CEO. In a memo Saturday the chief strategist of OpenAI claimed the company was confident it would rehire Altman and other team members.

Right when Altman was brought into OpenAI again, discussions ended as OpenAI hired another CEO and the board said Altman would not be returning. The board named former Twitch CEO Emmett Shear as interim CEO.

After that happened Altman and Brockman joined Microsoft in what Microsoft announced would be a new advanced AI research team that they would lead. On Twitter, Brockman posted that he, Altman and other former OpenAI employees planned to build something new and incredible with Microsoft. At the same time, Microsoft's CEO said they remain confident in their investment in OpenAI despite the turbulence.

A day later another board member and the other cofounder of OpenAI Ilya Sutskever said he deeply regretted his involvement in Altman's ousting. Sutskever released a note that called for the entire board to resign including himself.

With all this chaos, OpenAI employees revolted and walked out, claiming they wanted Altman back as CEO.

Even after joining Microsoft, Altman and Brockman were in talks with OpenAI investors on how to oust current board members and rejoin OpenAI.

Late on Tuesday night, it was announced that Altman and Brockman would rejoin OpenAI announcing that they had reached an agreement in principle.

Microsoft was not discouraged by this announcement saying he supports Altman, Brockman and OpenAI moving forward. He also claimed that he and his company were encouraged by the changes made to the OpenAI board.

OpenAI announced a new initial board (which will likely expand) of Bret Taylor (former co-CEO of Salesforce), Larry Summers (former Secretary of the Treasury) and Adam D'Angelo (CEO and co-founder of Quora).

Taylor and Summers are new additions to the OpenAI board, but D'Angelo was a member of the board during all this turbulence. D'Angelo voted to remove Altman but maintained his board seat through all of this. D'Angelo's leadership style has been described as inflexible and resistant to change during his time at Quora. D'Angelo got his start at Facebook in 2004 serving as their CTO. D'Angelo invested \$1 billion in Instagram before Facebook acquired the company.

D'Angelo reportedly was the key power broker in allowing Altman to return to OpenAI. Altman and D'Angelo are long-time friends and Silicon Valley veterans. Both have agreed that AI has risks to humanity, something the old board reportedly sparred with Altman over. D'Angelo has sat on the OpenAI board since 2018 before it came into the public eye.

OpenAI was founded in 2015 as a nonprofit but in 2019 launched a for-profit arm that has attracted billions in investment. OpenAI was formed by Altman, Brockman, Reid Hoffman (LinkedIn cofounder), Jessica Livingston (founding partner of Y Combinator), Peter Thiel (co-founder of PayPal), Elon Musk, Amazon Web Services, Infosys and YC Research. The group pledged \$1 billion to the venture.

OpenAI is responsible for ChatGPT, a popular AI service that many consumers utilize.

OpenAI's board that we are referencing serves the not-for-profit arm of the company.

The old OpenAI board consisted of Brockman (who did not know about Altman's firing last week), D'Angelo, Ilya Sutskever, Tasha McCauley, Helen Toner, and Altman.

What a four-day whirlwind if we say so ourselves.

MacNicol & Associates Asset Management
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